



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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June 14, 2018

Lori Walsh, Director of Human Resources
Placer County Human Resources Department
145 Fulweiler Avenue, Suite 200
Auburn, CA 95603

Re: Countywide Payroll Review

Dear Ms. Walsh:

The Internal Audit Division of the Auditor-Controller's Office recently performed a review of Countywide Payroll, specifically additional pays, for the fiscal year ended June 30, 2017. Our responsibility is to conduct the review in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) established by the Institute of Internal Auditors. The objectives of our review were to obtain an understanding of the internal control structure over additional pays; determine whether all established County Policies, Memorandums of Understanding (MOU), and County Code Chapter 3 relating to additional pays are consistent and adhered to; determine whether payroll processes relating to additional pays are consistently applied across the County; and make recommendations for improvement.

We reviewed County Policies, MOUs, County Code Chapter 3 and various human resources and payroll records. We interviewed staff at Human Resources and spoke with other County departmental staff, as necessary. As a result of our review, we noted areas where internal controls could be strengthened and operating policies and procedures could be improved. Accordingly, our observations and recommendations are as follows.

Processing Personnel Action Forms and the Impact on Additional Pay

During our review, we determined there is not currently a process in place to ensure all additional pays are assessed for impact during the processing of a Personnel Action Form for a change in position, such as a promotion to management. The current process involves the Department staff preparing a Personnel Action Form, the Human Resources Department staff verifying eligibility, and the Auditor-Controller staff transacting the change in ACORN. Based on our testing of samples selected, we noted the following:

1. A Personnel Action Form was processed transferring an employee from the jail facility, but did not include an Additional Pay Form to remove Jail Assignment Pay. The employee incorrectly received Jail Assignment Pay for four pay periods. The total overpayment to the employee was collected via payroll deduction over four pay periods.

2. A Personnel Action Form was processed promoting two employees to classifications ineligible to receive Jail Shift Supervisor Pay. Employees were determined to have been overpaid for approximately two and three years.

3. A Personnel Action Form was processed promoting an employee to a classification ineligible to receive Architect Pay, but did not include an Additional Pay Form to remove the additional pay. The employee incorrectly received Architect Pay for approximately seven years, however, on October 3, 2017, the Board of Supervisors (BOS) approved revisions to County Code Chapter 3, and the classification became eligible for Architect Pay.

4. Personnel Action Forms were processed promoting two employees to classifications ineligible to receive the Civil Engineer or Land Surveyor Certificate Pay, but did not include Additional Pay Forms to remove the additional pay. One employee incorrectly received Civil Engineer Certificate Pay for a year and a half, and one received Land Surveyor Certificate Pay incorrectly for three months. The total overpayments were collected via payroll deductions.

5. A Personnel Action Form was processed promoting an employee to a classification ineligible to receive the LCSW/MFT/MFCC Certificate Pay, but did not include an Additional Pay Form to remove the additional pay and begin the appropriate additional pay. The employee incorrectly received LCSW/MFT/MFCC Certificate Pay for approximately nine years, however as the employee was eligible to receive an additional pay with the same rate of compensation the employee was not overpaid.

6. A Personnel Action Form was processed promoting an employee to a classification ineligible to receive the Building Inspector Certificate Pay, but did not include an Additional Pay Form to remove the additional pay. The employee incorrectly received Building Inspector Certificate Pay for approximately two years, however, on October 3, 2017, the BOS approved revisions to County Code Chapter 3, and the classification became eligible for Building Inspector Certificate Pay.

7. A Personnel Action Form was processed promoting an employee to a classification ineligible to receive the Uniform Allowance, but did not include an Additional Pay Form to remove the additional pay. The employee incorrectly received Uniform Allowance for approximately five months.

8. A Personnel Action Form was processed reclassifying an employee to a classification no longer eligible to receive Uniform Allowance, but did not include documentation to remove the additional pay. As such, the employee continued to receive Uniform Allowance for approximately ten years in an ineligible classification. However, after further review it was determined the classification is required to wear a uniform, and could have been eligible for the Uniform Allowance, had the classification been included in the MOU.

Going forward, we recommend Human Resources work with Departments to establish procedures to ensure that processing a Personnel Action Form includes removing all ineligible additional pays and validating that the classification is eligible to receive an additional pay. Additionally, Human Resources should strengthen internal controls to ensure compliance with the County Code Chapter 3, MOUs, and County Policies. We also recommend Human Resources take the following actions:

1. No further action is recommended. The overpayment was repaid by the employee.

2. The total overpayment to the employees is currently being reviewed by Human Resources and County Counsel.

3. The BOS decided not to pursue reimbursement for the seven year overpayment on 1/25/2018.
4. No further action is recommended. The overpayments were repaid by the employees.
5. The employee receiving the incorrect additional pay is no longer employed by the County, as such no further action is recommended.
6. The BOS decided not to pursue reimbursement for the two year overpayment on 1/25/2018.
7. The total overpayment to the employees is currently being reviewed by Human Resources and County Counsel.
8. Human Resources work with the Placer Public Employees Organization (PPEO) Union to amend the Uniform Allowance Section and include the Public Information Specialist as an eligible classification.

Department Response:

Historically, tasks for processing Additional Pay transactions have been performed by staff in County Departments, the Human Resources Department and the Auditor-Controller's Office through its Payroll Division.

For the past ten years, discussions between HR staff, Auditor Controller's staff, and County Counsel have been held to develop a policy that would implement internal control roles and responsibilities over the additional pay function. More recently, continued efforts to develop a policy have been prompted by the ERP project and the conversion of payroll from ACORN to Workday and HR is currently working with the Auditor-Controller and County Counsel on said policy. It's anticipated that a final policy will be established that will clearly document roles and responsibilities in the appropriate internal control documents or County Code sections as appropriate.

Despite the lack of specific policies or procedures, HR staff have taken diligent efforts to correct any inaccuracies as indicated above and will follow up on the items that continue to require resolution.

Verifying Additional Pay Eligibility

Based on our testing, we noted instances where additional pay had not been verified for eligibility. As such, we noted the following:

1. Additional Pay Forms were approved for two employees in classifications ineligible to receive Automobile Allowance. The employees received approval from the County Executive Officer, however Automobile Allowance is governed by the Meals, Lodging, Travel, and Transportation Policy, and the County Executive Officer does not have authority to approve employee additional pay. The employees incorrectly received the additional pay for approximately three and a half years. Nonetheless, the employees received Automobile Allowance in lieu of mileage reimbursements, as such it was determined the employees were not overpaid.
2. An Additional Pay Form was approved for an employee in a classification ineligible to receive Civil Engineer or Land Surveyor Certificate Pay. The employee incorrectly received Civil Engineer or Land Surveyor Certificate Pay for approximately three years, however, on October 3, 2017, the BOS approved revisions to County Code Chapter 3, and the classification became eligible for Civil Engineer or Land Surveyor Certificate Pay.

3. An Additional Pay Form for an Elected Department Head was approved, when the classification was ineligible to receive the Twenty Year Longevity Pay.

We recommend Human Resources work with Departments to establish procedures to verify employee eligibility for additional pay and strengthen internal controls to ensure compliance with County Code Chapter 3, MOUs, and County Policies. We also recommend the following:

1. The Meals, Lodging, Travel, and Transportation Policy be revised to include these classifications or immediately end the additional pay.
2. The BOS decided not to pursue reimbursement for the overpayment on 1/25/2018.
3. County Code Chapter 3 be revised to include the Elected Safety Department Heads eligibility for the Twenty Year Longevity Pay.

Department Response:

It's important to note that there is no clearly stated policy or procedure that identifies the HR Department as having responsibility for verification. In fact, there are sections of Chapter 3 and Memorandums of Understanding that identify the Department as having responsibility for verifying eligibility (as will be noted later in this response).

Despite the lack of specific policies or procedures, HR staff have taken diligent efforts to correct discrepancies as indicated below and will follow up on the items that continue to require resolution.

- 1) *With regard to the two individuals receiving auto allowance, it should be noted that:*
 - a. *As it relates to the Interim CDRA Director, this matter was discussed and reviewed with the Auditor's Office staff in October of 2016. The HR Department understood from those conversations that an amendment to the MLTTP would go forward to incorporate the necessary change to the policy.*
 - b. *As it relates to the Public Health Officer, this matter was brought to HR's attention in July 2017. The Auditor Controller was cc'd on an email to the County Executive Officer and County Counsel requesting direction in addressing the overpayment. Ultimately a Board item was taken to the December 12, 2017 meeting to incorporate the Public Health Officer into County Code to provide for an auto allowance (see Chapter 3, section 3.12.030 (B)).*
- 2) *This matter has been resolved through the efforts of the HR Department.*
- 3) *Revision to Chapter 3 to incorporate longevity pay for Elected Officials is currently under discussion with the County Executive's Office and County Counsel.*

Ensuring all Eligible Employees are Receiving Additional Pay

During our review, we noted there is no established procedure to ensure all eligible employees are receiving Uniform Allowance. Based on our testing, we noted instances of employees being underpaid for up to three and a half years, until Departments notified Human Resources of the error and retroactive payments were processed.

We recommend Human Resources work with Departments to establish procedures to ensure all eligible employees are receiving the appropriate additional pay.

Department Response:

The Department of Human Resources (HR) is supportive of any and all efforts to ensure that employees are compensated correctly and in compliance with County Code or Memorandums of Understanding.

To that end, the HR Department will continue its decade long effort to work with the Auditor's Office and County Counsel to establish a policy and protocol by which payroll errors related to additional pays can be addressed.

Supporting Documentation Submitted with the Additional Pay Form

During our review, we noted that Departments are not required to submit supporting documentation for all additional pays. Additionally, we noted documentation supporting eligibility for the additional pay, earning code determination, and modifications to earning codes are not consistently retained in employee personnel files.

We recommend procedures be established by Human Resources to verify and monitor additional pay and strengthen internal controls to ensure additional pay is applied in compliance with the County Code Chapter 3, MOUs, and County Policies. We also recommend procedures be established by Human Resources to ensure all documentation supporting employees' additional pay and any modifications to additional pays are maintained in employee personnel files and retained in accordance with the Countywide Accounting and Administrative Records Retention Schedule (CAAR).

Department Response:

There is no existing document or policy (other than the requirement noted in Chapter 3, section 3.08.510 - Work-out-of-class pay; Chapter 3, section 3.12.020 (#11) Bilingual pay, and Chapter 3, section 3.12.020 (#12) Universal Technician Pay) for the HR Department to 'verify and monitor additional pay' or to 'ensure all documentation supporting additional pay'.

The Department of Human Resources is supportive of any and all efforts to ensure that employees are compensated correctly and in compliance with County Code or Memorandums of Understanding. To that end, the HR Department will continue its decade long effort to work with the Auditor's Office and County Counsel to establish a policy and protocol by which payroll errors related to additional pays can be addressed.

Monitoring Additional Pay

At the time of the review, there was not a process in place to monitor employee additional pays.

During our review, we noted Human Resources implemented an Annual Additional Pay Monitoring, effective August 4, 2017.

Department Response:

As noted, in August of 2017, the HR Department requested that each Department verify existing Additional Pays and required Appointing Authority signatures to confirm that the employee continues to be eligible to receive the pay.

It should not be construed that this action implicates an assumption of responsibility, on the part of HR, to monitor Additional Pays. However, the Department of Human Resources is supportive of any and all efforts to

ensure that employees are compensated correctly and in compliance with County Code or Memorandums of Understanding.

To that end, the HR Department will continue its decade long effort to work with the Auditor's Office and County Counsel to establish a policy and protocol by which payroll errors related to additional pays can be addressed.

Review and Approval of Additional Pay

During our review, we determined additional pays were not consistently documented to note proper review and approval. Additionally, we noted approvals required by the MOUs and County Code Chapter 3 were not documented in employee personnel files.

We recommend Human Resources work with Departments to ensure that appropriate approvals are documented and included in employee personnel files.

Department Response:

The Department of Human Resources is supportive of any and all efforts to ensure that employees are compensated correctly and in compliance with County Code or Memorandums of Understanding. As part of the transition from ACORN to Workday, procedures are being developed by the ERP Project Team to implement a method by which documents can be uploaded to the system for tracking purposes.

Educational Incentive - Accredited College

During our review, we noted a procedure is not in place to determine if a college is accredited, as required by the Deputy Sheriff's Association (DSA) MOU section 8.3(d) which states, "To be eligible for Educational Incentive Pay, the degree must be from an accredited college, consistent with the Human Resources Department practices for determining the validity of the college degree." Human Resources is currently relying on the Departments to verify the accreditation of the college.

We recommend a policy and procedure be established by Human Resources to verify that each college degree submitted for Educational Incentive Pay comes from an accredited college.

Department Response:

The Sheriff's Office is subject to the requirements of Chapter 3, section 3.12.020 (2)(e) which stipulates that "Employees must present evidence of successful completion of a qualifying degree, consistent with this section to their department head, which shall determine and certify whether employees are eligible to receive educational incentive pay."

The DSA's MOU language refers the Department to utilize the practices of the HR Department for determining the validity of the college degree rather than impose the mandate that the HR Department take responsibility for validating the degree credentials.

Work-Out-of-Class

Based on our testing of Work-out-of-class (WOC) Pay, we noted an employee received PERSable WOC when they should have received nonPERSable due to the employee receiving an "in recognition of" WOC. The employee

was overpaid for two pay periods before the error was caught and corrected. We also noted there was no documentation of Human Resources' review and approval of the WOC calculation.

We recommend Human Resources implement a process to have the WOC calculation and CalPERS determination reviewed and approved by staff or supervisor other than the preparer prior to input into ACORN, as well as document the review and approval.

Department Response:

The Department submitted a Personnel Action Form (PAF) for this employee stating "Begin WOC as IT Supervisor effective 2/18/2018..." as well as provided a copy of an application for the individual to be screened to the minimum qualifications for the WOC assignment. When it was determined that the assignment should be "In recognition of additional duties" HR revised the record and additional pay documents. Regarding WOC calculation documentation, HR has implemented into our process a second review of the calculation to confirm accuracy.

Confidential Pay

During our review of Confidential Pay, we noted Human Resources was unable to provide the BOS and PPEO Union approval of confidential positions.

We recommend Human Resources maintain BOS and PPEO Union approval for all confidential positions to support the classification of confidential positions.

Department Response:

The HR Department does maintain records on the action taken to move employees as part of a bargaining unit change. On July 26, 2016, the HR Department presented a recommendation to the Board of Supervisors to move four (4) Accounting Technician positions assigned to the Payroll Division of the Auditor-Controller's Office to a confidential designation due to their participation in employee relations matters. The Board memo cited the fact that the Auditor-Controller seeks to designate the employees as "confidential" within the County's Employer-Employee Relations Policy, and move them from the General Bargaining Unit to the Confidential Unit.

The Board memo further outlined the basis for recommendation as follows:

The Placer County Employer-Employee Relations Policy defines a "confidential employee" as a "non-management employee, who in the course of his or her duties has access to confidential information relating to the County's administration of the employer-employee relations." The Accounting Technicians assigned to the Payroll Division of the Auditor-Controller's Office have direct access to information pertaining to collective bargaining negotiations and the processing of employee grievances. They can also assist with performing cost evaluation or project future costs on bargaining proposals. As a result, the Auditor-Controller has requested that these positions be designated as Confidential, consistent with the other employees in the Payroll Division, to reflect this level of access and scope of responsibility related to labor relations matters. Based upon the information above, the Human Resources Department submits the recommended unit change to the Board for review. The change has been discussed with the Placer Public Employees' Organization, consistent with the provisions of the County's Employer-Employee Relations Policy.

CalPERS

During our review, we determined Human Resources does not require or review supporting documentation to verify prior CalPERS membership before adding a new employee to a CalPERS retirement plan. Based on our testing, we noted an employee was incorrectly included in the Classic Benefit Tier at the date of hire and received PERSable Uniform Allowance for approximately three and a half years until CalPERS notified Human Resources of the error and a retroactive payment was processed.

We recommend Human Resources establish procedures to verify newly hired employees qualify and are added to the appropriate CalPERS plan.

Department Response:

*The HR Department **does** have a process in place that requires a new employee to disclose prior CalPERS membership by submitting the required Reciprocal Self-Certification Form (PERS-EAMD-801) within 10 business days of hire. Employees are then placed in the appropriate CalPERS Pension Tier/Formula based on the information provided.*

Amendments and Updates to Additional Pay after Contract Negotiations

During our review, we noted amendments and updates to additional pays approved with MOUs are processed with an ACORN Plan, to accommodate the large movement of employees from one earning code to another to comply with the new MOU. In these instances, an Additional Pay Form is not completed and approval is not documented. Consequently, we noted a lack of documentation in the personnel files supporting the new additional pay earning code.

We recommend a process be established by Human Resources to document the review and approval of the ACORN Plan and document any changes to an employee's additional pay within the employee personnel file.

Department Response:

In circumstances that impact a large number of employees, such as the implementation of collectively bargained agreements, there has been a consensus between the HR Department and the Payroll Division of the Auditor Controller's Office to allow Departments to authorize negotiated salary or benefit provisions utilizing a list of employees rather than complete individual requests for the file.

Since processing individual forms would require a business process change, the HR Department will confer with the Auditor Controller's Payroll Division staff to consider whether the new payroll/benefit software application (Workday) will address the additional workload that individual forms would otherwise represent.

Detective Division Pay

During our review, we noted Detective Division Pay was approved with the July 1, 2015 - June 30, 2018 DSA MOU. As a result, Human Resources processed the Additional Pay Forms for all employees eligible to receive the additional pay. However, the Additional Pay Forms processed by Human Resources and filed in the employees' personnel files do not include justification for adding the additional pay or the Department's approval of the additional pay.

We recommend that, as a matter of policy, all Additional Pay Forms include justification for the additional pay and the Department's documented approval.

Department Response:

The Department of Human Resources is supportive of any and all efforts to ensure that employees are compensated correctly and in compliance with County Code or Memorandums of Understanding. As part of the transition from ACORN to Workday, procedures are being developed by the ERP Project Team to implement a method by which documents can be uploaded to the system for tracking purposes.

County Code Chapter 3 and Memorandums of Understanding

During our review of County Code Chapter 3 and MOUs, we noted the following:

1. County Code Section 3.12.030 was amended, with Ordinance 5732-B on January 7, 2014 to include the Health Officer classification as eligible to receive Physician additional compensations. However, the amendment was not reflected in County Code Chapter 3.
2. County Code Chapter 3 and MOUs do not require employees to have current and active certificates or licensure to receive additional pay.
3. County Code Chapter 3 does not discuss the Public Employees' Pension Reform Act of 2013 (PEPRA) requirements for PERSable earnings relating to additional pays. Additionally, Human Resources does not document their determination for employees receiving PERSABLE or nonPERSABLE additional pay in the employee personnel file.
4. Confidential Pay is not defined or described in County Code Chapter 3, and is only discussed in the Employer Employee Relations Policy. Additionally, the definition of a confidential employee in the Employer Employee Relations Policy is not clearly defined.
5. County Code Chapter 3 was not updated to include amendments to additional pays made in the July 1, 2015 - June 30, 2018 DSA MOU, and instead referred readers to the MOU for information relating to DSA represented employees. As such, the County Code only includes detailed information for Safety Management additional pays.
6. County Code Chapter 3 was not updated to include an amendment to Canine Pay made in the January 1, 2014 - June 30, 2017 PPEO MOU.

We recommend a procedure be established between Human Resources, County Executive's Office, and County Counsel to:

1. Strengthen internal controls relating to the annual review of MOUs and County Code Chapter 3 for amendments and updates, as three reviews were unsuccessful in reflecting the amendment to County Code Chapter 3 brought about by the Ordinance. A detailed review of County Chapter 3 should also be performed and then subsequently revised for any outdated language.
2. Add language to County Code Chapter 3 and the MOUs requiring active certificates and licensure for all employees receiving additional pay. We further recommend Human Resources verify employees receiving additional pay have active certificates or licensure.

3. Make the necessary additions to County Code Chapter 3 to clearly identify PEPRA requirements for PERSable earnings relating to additional pays. In addition, the CalPERS plan determination should be well documented in the employee's personnel file.
4. Review the definition of confidential pay in the Employer Employee Relations Policy and amend the definition to more clearly define a confidential position, specific to Placer County, and the process for creating confidential positions. Furthermore, the definition and process should be included in County Code Chapter 3.
5. Make the necessary additions to County Code Chapter 3 to clearly identify DSA represented additional pays and Safety Management additional pays. Furthermore, we recommend Human Resources review County Code Chapter 3 for consistency and readability.
6. Make the necessary additions to County Code Chapter 3 and strengthen the internal controls related to the annual review for updates to County Code Chapter 3.

Department Response:

1. *The HR Department applies due diligence in monitoring that updates to the County code accurately reflect Board action and will continue to do so in an effort to identify discrepancies.*
2. *As evidence of the HR Department's commitment, staff have worked diligently with the Auditor Controller's Office and County Counsel over the past ten years to establish a policy and protocol by which payroll errors related to additional pays can be addressed. To date, the policy has yet to be established which has resulted in confusion surrounding roles and responsibilities.*

The continued effort to develop a policy that has recently been undertaken (as prompted by the conversion of payroll data from ACORN to Workday) will hopefully yield clarification of the roles and responsibilities for each of the parties (County Department, HR Department and Auditor Controller's Payroll Division).

3. *HR will review and consider appropriate documentation for the employees file related to the determination of the CalPERS retirement tier.*
4. *The County Executive Officer serves as the County's Employee Relations Officer. As such, the CEO would pursue any updates (including a more specific definition of 'Confidential employee' designation) to the County's Employer-Employee Relations Policy (EERP) recognizing that any updates or changes to the EERP are subject to meet and confer with the bargaining units.*
5. *HR will work with County Counsel and the CEO to determine whether MOU provisions should be codified.*
6. *Updates to the County Code are managed by County Counsel's Office. The HR Department applies due diligence in monitoring that updates accurately reflect Board action, but can't be responsible for the oversight of the vendor in maintaining the County's code.*

Wellness Incentive

During our review of the Wellness Incentive additional pay, we noted the following:

1. The Wellness Certification Form, required to receive the Wellness Incentive additional pay, includes a Physician Certification Section, but does not require the Physician or Health Care provider signature on the form and relies on the employee's self-certification.
2. There is no process to monitor the Wellness Incentive additional pay to ensure employees receiving the additional pay submit a County approved form, the Wellness Certification Form, by December 31st each year as required by County Code Section 3.12.020.25. Based on our testing, we noted instances where employees continued to receive the additional pay when there was no evidence of the employee's Wellness Certification Form in the personnel file.

We recommend Human Resources:

1. Work with County Counsel to determine if the Physician or Health Care Provider Certification should be required to receive the Wellness Incentive. If it is determined the Physician or Health Care Provider Certification is required, County Code Chapter 3 should be amended to include this requirement. If not, the Physician Certification should be removed from the Wellness Certification Form.
2. Work with Departments to establish procedures to monitor the Wellness Incentive to ensure compliance with County Code Chapter 3 and Policies. We also recommend Human Resources have the Wellness Incentive additional pay earning code automatically end on December 31st each year for all employees receiving the pay who have not submitted a completed Wellness Certification Form for the following year. The additional pay should only be resumed when the County approved form and the Additional Pay Form are completed for the current year. Additionally, we recommend Human Resources review records of all employees receiving the Wellness Incentive additional pay from current to three years prior to the date of this report, to determine if any employees were receiving the pay without submitting a completed Wellness Certification Form for each applicable year. If any instances of non-compliance with the requirement to submit the form are identified, the employee would not have been eligible to receive the pay and an overpayment occurred. Human Resources should then determine the overpayment and take corrective action.

Department Response:

- 1) *The Department of Human Resources is supportive of any and all efforts to ensure that employees are compensated correctly and in compliance with County Code or Memorandums of Understanding. To that end, the HR Department work with County Counsel's Office to determine whether Physician or Health Care Provider Certification should be required and, if so, modify the form accordingly.*
- 2) *Until the current efforts to develop a policy are concluded, there is no existing procedure to require the HR Department to 'ensure compliance' with the Department's request to apply the Wellness Incentive as an additional pay.*

With regard to the Wellness Incentive, Chapter 3, section 3.12.020 (#25) states:

An employee must qualify to receive the wellness incentive. In order to qualify for and to continue receiving the wellness incentive, employees within the above-listed classifications shall:

- i. **Annually present to his or her department head**, or designee, competent proof via a county-approved form, that he or she has had a physical exam consistent with the physical exam guidelines set forth by the United States Department of Health and Human Services and the U.S. Preventative Services Task Force by December 31st.
- ii. If an employee fails to meet the annual required deadline of December 31st, he or she will not continue to receive the wellness incentive effective the first full pay period after December 31st. However, if the employee subsequently provides the required documentation, he or she will qualify to receive the wellness incentive effective the first full pay period after the required documentation is received and approved.

Historically, the process for transacting an additional pay has involved three checkpoints:

- 1) The **Department** initiates a request to **begin or end** an additional pay by submitting a Personnel Action Form and an Additional Pay Form with supporting documents to the Human Resources Department.

Currently only Safety Management, including Elected Safety, receive the Wellness Incentive. It was discontinued to for DSA represented employees on 3/9/2013.

- 2) Human Resources staff **verify the employee's eligibility** to receive the Additional Pay by referring to Memorandums of Understanding or County Code.
- 3) The Auditor Controller's Office Payroll Division verifies accuracy of the Additional Pay form and **enters the Additional Pay into the ACORN system**.

The Department of Human Resources is supportive of any and all efforts to ensure that employees are compensated correctly and in compliance with County Code or Memorandums of Understanding.

To that end, the HR Department will continue its decade long effort to work with the Auditor's Office and County Counsel to establish a policy and protocol by which payroll errors related to additional pays can be addressed.

Tahoe Branch Assignment Premium

During our review, we determined Human Resources is using a prorated tier from an outdated 1996 MOU, documented in a 2006 Administrative Procedure, to assess the Tahoe Branch Assignment Premium for part-time employees. The language in both the PPEO and DSA MOUs do not differentiate between full-time rate and part-time rate for the Tahoe Branch Assignment Premium. Only a flat rate is documented.

We recommend Human Resources work with the PPEO and DSA Unions and County Labor Team to amend the current MOUs to include an agreed upon payment methodology for the Tahoe Branch Assignment Premium for part-time employees and eliminate the Administrative Procedure as an authoritative source.

Department Response:

The recommendation to amend the current Memorandums of Understanding to include an agreed-upon payment methodology for the Tahoe Branch Assignment Premium for part-time employees should be submitted to the County Executive Officer for direction on whether to collectively bargain this change to the MOU.

Bilingual Pay

During our review, we noted the requirements for Bilingual Pay are not clearly defined or described in County Code Chapter 3 or the MOUs. The current definition, "use of a second language in the normal course and scope of work" leaves requirements up to interpretation. Additionally, County Code Chapter 3 does not require employees receiving Bilingual Pay to be evaluated on a regular basis to determine if the needs of the Department or the employee's job duties still require the use of a second language.

We recommend Human Resources review the definition of Bilingual Pay in County Code Chapter 3 and MOUs and amend the language to more clearly define the requirements, specifically reasonable need for the second language and a threshold specifying the average time an employee must utilize the second language in their normal course and scope of work. Furthermore, County Code Chapter 3 should be revised to require a review of the employee's Bilingual Pay at the employee's annual performance review.

Department Response:

Departments requesting to apply Bilingual Pay as an Additional Pay are required to submit a written request that includes details about the assignment to demonstrate that the second language is used in the normal course and scope of work. Additionally, the employee is required to successfully pass a Foreign Language Proficiency Exam. Once HR confirms that the employee has successfully passed the exam, the Department is advised to submit the Additional Pay Form.

Further, if an employee transfers to another Department, the receiving Department must resubmit to HR justification that the new position warrants the pay and if not, submit the Additional Pay Form ending the bilingual pay.

The recommendation to amend the current Memorandums of Understanding and Chapter 3 to more clearly define the requirements, specifically reasonable need for the second language and a threshold specifying the average time an employee must utilize the second language in their normal course and scope of work should be submitted to the County Executive Officer for consideration. As well, the CEO should be presented with the recommendation that Chapter 3 should be revised to require a review of the employee's Bilingual Pay at the employee's annual performance review which would also be subject to meet and confer.

Additional Pay for Unrepresented Employees

During our review, we noted additional pay is not applied consistently to all unrepresented employees. Based on our testing, we noted the County approved Ordinances authorizing additional pay for some unrepresented classifications, but has not approved additional pay for all eligible unrepresented employees.

We recommend Human Resources work with the County Executive Office to review all unrepresented classifications to determine eligibility for additional pay. Furthermore, we recommend the County amend County Code Chapter 3 as necessary to ensure additional pays are applied consistently to all unrepresented employees.

Department Response:

The HR Department will work with the County Executive Office to review all unrepresented classifications to determine eligibility for additional pay and will pursue amendment of Chapter 3 as necessary to ensure additional pays are applied consistently.

The Department's responses to our recommendations identified by our review are included above. We did not audit the Department's responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Department's staff throughout the course of this review.

Respectfully,



Nicole C. Howard
Assistant Auditor-Controller

cc: Sheri Chapman, Assistant Director of Human Resources
Placer County Audit Committee